Federal Basic Health Program – Final Policy Questions

Purpose of Policy Analysis
To provide background and analysis to support a policy-level discussion by the Legislature and Governor as they consider whether to adopt the Federal Basic Health Program option for Washington State. Where appropriate, insights into the perspective of or the impact upon consumers, employers, insurers, and health care providers in the private and public health insurance markets will be provided.

The analysis will provide background on the history of the Washington Basic Health Program and other expansions to Medicaid. Additionally, it will provide an overview of the current programs and markets, as well as upcoming changes in 2014 as a result of the Affordable Care Act (ACA). It will also describe the current Washington Basic Health Program under a federal waiver and provide a comparison of key similarities and differences of the Federal Basic Health Program option laid out in ACA.

Implementation Options: Explore and discuss high-level pros and cons of several Washington State options:

- Option 1: Medicaid 0-133% FPL, Standalone Federal Basic Health program 134-200% FPL (benefit design per ACA)
- Option 2: Medicaid + Federal Basic Health program funding for a re-branded low-income program (same benefits and providers, different risk pools)
- Option 3: Medicaid 0-133% FPL, Tax credits/reduced cost sharing in Exchange 134-400% FPL

Policy Questions: The following are questions that will be addressed in the analysis.

Coordination with Medicaid and Exchange

- How does each option affect the churn based on changes in income between programs (i.e., Medicaid, Basic Health, subsidized Exchange)?
- How does each option handle transitions between programs based on income changes?
- Include research on churn and disenrollment as a result of income changes.
- How large of a factor is continuity of care between programs, assuming a standalone Basic Health program?
  - Would benefits be similar to those in Medicaid or essential health benefits in the Exchange?
  - How would coordination occur between benefits in Medicaid and the essential health benefits in the Exchange?
  - Would cost sharing be similar to Medicaid or the Exchange?
  - Would the same plans be offered in Medicaid and/or the Exchange?
  - Would the same provider networks be used as in Medicaid and/or the Exchange?
- Would it be possible to rebrand the Basic Health Program with Medicaid to create a new low-income program covering everyone up to 200% FPL?
  - How would that change Medicaid for the expansion population?

- How would continuity of care be handled between the new low-income program and the Exchange?
- Are there other models to learn from?

Cost Comparison

- Is 95% of the federal subsidy sufficient to provide benefits and cover administrative costs? Is the 3% reduction in subsidy dollars offset by any genuine savings other than potentially lower reimbursement to providers?
- What is the projected PMPM of each option?
- Do we know what the state's financial responsibilities will be?
- What is the added cost to the state in operating a Federal Basic Health Program vs. serving low income population in the Exchange?
- What are the estimated added administrative costs of operating a Federal Basic Health Program?
- What happens to the savings if the state experiences them in a Federal Basic Health Program? What options should be considered (i.e., enhancing provider rates, lowering enrollee cost sharing, enhancing benefits)?
- How would each option affect payment rates to providers and cost shifting?
- Do we know what the health status and utilization patterns of the population between 133-200% FPL might look like?
- Would there likely be a difference in take-up across the options?
- How would reimbursement rates be determined (i.e., Medicaid, Medicare, current BH rates, equal to commercial)?
  - How would the need for sufficient provider participation affect reimbursement rates?

Administration Issues – if the state decides to create the federal Basic Health program

- Is already having a program in place an advantage for cost purposes?
- How would administrative functions be financed?
- Is there duplication of administrative functions if the state operates both and Exchange and Federal Basic Health Program?

Private Insurance Market Issues

- How would each option affect the size and risk of the Exchange pool?
- Would adverse selection be an issue on other markets if the 134-200% FPL population was removed from the Exchange?
- How would each option affect the implementation of the three risk leveling methods?
- To what extent is Exchange pool size important for actuarial perspective vs. spreading administrative costs?
- Is the existing level of Basic Health provider reimbursement sustainable considering the expansion of Medicaid? What reimbursement changes would be necessary?

Consumer/Beneficiary Issues

- What are consumer preferences in this income group (regarding choice, provider networks, cost sharing)?

- How does access to providers vary under each option?
- What is appropriate cost sharing for this low-income population?
- Are there advantages for families to be in the same plan? Is there any literature on this?
- Does the aggregation of premium and cost-sharing subsidy under the Federal Basic Health Program option eliminate complexity for this population?
- Does elimination of payback for overpayment in the Federal Basic Health Program affect take-up rates?

Next Steps: Moving toward 2012 Legislative Session

Using the above policy discussion, the analysis will lay out considerations for moving forward with a decision, including the key considerations from the analysis, the priority issues, the need for a decision to be made in the 2012 legislation session, and whether additional analysis is needed.